

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 /050 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8888

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E.O. 11652: NA

TAGS: EGEN, ETRD, EIND, EEC

SUBJECT: CII MERGER WITH HONEYWELL-BULL AND THE EC COMPUTER POLICY

REFS: A. PARIS 12083

B. EC BRUSSELS 2708

C. EC BRUSSELS 1748

D. EC BRUSSELS A-384, DEC 12, 1974

1. SUMMARY: EC COMMISSION REACTIONS TO THE CII-HONEYWELL BULL MERGER ARE LIMITED THUS FAR. TWO SENIOR OFFICIALS CONCERNED WITH THE INDUSTRIAL FIELD HAVE GIVEN US CONTRASTING VIEWS. ONE CONSIDERED IT A BLOW TO THE EC COMPUTER POLICY AND VIRTUALLY THE END OF HOPES FOR "INDEPENDENT" EUROPEAN COMPUTER TECHNOLOGY. THE OTHER, WHO BELIEVED UNIDATA WAS GOING TO FAIL ANYHOW, SAW THE MERGER AS BEING GOOD FOR EUROPE GIVEN PRACTICAL CIRCUMSTANCES. END SUMMARY.

2. THERE HAVE BEEN NO OFFICIAL EC COMMISSION REACTIONS TO ANNOUNCEMENT OF THE CII MERGER WITH HONEYWELL BULL. WE HAVE, HOWEVER, SPOKEN WITH LOEFF, ACTING EC COMMISSION DIRECTOR GENERAL FOR INDUSTRIAL AND TECHNOLOGICAL AFFAIRS, WHO IS DIRECTLY RESPONSIBLE FOR THE EC COMPUTER POLICY AND WITH BRAUN, DIRECTOR  
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GENERAL FOR THE INTERNAL MARKET, TO GET THEIR INITIAL

VIEWS. THEIR  
REACTIONS WERE ESSENTIALLY CONTRASTING.

3. LOEFF, A DUTCHMAN (AND WELL DISPOSED TO THE US IN GENERAL), SAID HE WAS NOT PLEASED WITH THE MERGER AND WAS VERY CONCERNED ABOUT ITS EFFECTS ON EC COMPUTER POLICY. BECAUSE OF THE NON-COMPLEMENTARITY OF HONEYWELL AND SIEMENS' EQUIPMENT, HE EXPECTS UNIDATA TO BREAKUP. SINCE SIEMENS AND PHILIPS ARE NOT STRONG ENOUGH TO GO IT ALONG, HE BELIEVES THEY WILL SEEK AN AMERICAN PARTNER. HE THINKS THE UK'S ICL WOULD ALSO BE INTERESTED IN AN ALLIANCE WITH A US COMPANY. RATHER THAN CREATING A STRONG EUROPEAN-BASED COMPANY, UNIDATA, THAT COULD EVENTUALLY HAVE LINKS WITH A US COMPANY BASED ON REASONABLE EQUALITY -- WHICH WAS THE COMMISSION'S OBJECTIVE, (SEE REFTEL B) -- LOEFF NOW EXPECTS TO SEE THREE WEAK EUROPEAN COMPUTER GROUPS EACH WITH DIFFERENT US PARTNERS IF THEY CAN BE FOUND. ONE OF THE RESULTS WOULD BE THAT R AND D WOULD BE LARGELY CONTROLLED BY THE US SIDE IN THE US.

4. WE MENTIONED THAT THE HONEYWELL-BULL COMMUNIQUE AND PRESS STORIES INDICATED THAT CII-HONEYWELL BULL HOPED TO MAINTAIN AND DEVELOP THE COLLABORATION ESTABLISHED BY CII AND SIEMENS AND PHILIPS. LOEFF SAID THOSE COMPANIES HAD TOLD HIM HONEYWELL APPROACHED THEM AND DESCRIBED POSSIBLE ARRANGEMENTS WHEREBY HONEYWELL WOULD DEVELOP COMPUTERS IN THE US AND SIEMENS AND PHILIPS COULD PRODUCE IN EUROPE ON THE BASIS ON US TECHNOLOGY.

5. LOEFF SAID THAT FOR THAT MOMENT THE EC COMPUTER POLICY WOULD CONTINUE ALONG THE LINES OF THE RESOLUTION OF DATA PROCESSING APPROVED BY THE COUNCIL IN JUNE 1974. (SEE REFTELS C AND D) HOWEVER, WITH THE CII-HONEYWELL BULL MERGER AND THE MERGER PROSPECTS OUTLINED ABOVE, HE EXPECTED A DETERIORATION IN EC MEMBER STATE SUPPORT.

6. BRAUN'S ATTITUDE TOWARD THE CII-HONEYWELL BULL MERGER WAS BASICALLY FAVORABLE AND COLORED BY LIMITED OFFICIAL USE

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HIS BELIEF THAT UNIDATA WAS NOT GOING ANYWHERE. HE CONSIDERED THAT THE IDEA OF WAITING UNTIL UNIDATA BECAME STRONG BEFORE ENTERING INTO PARTNERSHIP WITH A US FIRM WAS UNREALISTIC. MEANWHILE, FRANCE OBVIOUSLY HAD TO DO SOMETHING ABOUT THE CII PROBLEM. UNDER THESE CIRCUMSTANCES HE SAW THE MERGER AS BENEFICIAL AND A PRACTICAL ANSWER TO A DIFFICULT PROBLEM. BRAUN SAID MOST PEOPLE IN THE COMMISSION WELCOME

ARRANGEMENTS THAT RESULTS IN MAKING AMERICAN  
TECHNOLOGY AVAILABLE TO EUROPE AS LONG AS THE TERMS  
ARE EQUITABLE. HE THOUGHT THE EC COMPUTER POLICY  
WOULD SIMPLY HAVE TO BE ADOPTED TO THE NEW REALITY.

7. BRAUN WAS CONCERNED, HOWEVER, THAT THE FALL-OUT  
FROM THIS CASE -- ESPECIALLY PUBLIC COMMENTS BY  
THE ELYSEE IMPLYING THAT FRANCE WAS PARTLY  
MOTIVATED BY FEAR OF GERMAN DOMINATION IN UNIDATA --  
WOULD MAKE THE FRG EVEN MORE RELUCTANT TO BACK EC  
INDUSTRIAL POLICIES OR COOPERATION. GREENWALD

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## Message Attributes

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